



**City of Saint Paul**

*Randy C. Kelly, Mayor*

*160 City Hall  
15 West Kellogg Boulevard  
Saint Paul, Minnesota 55102-1658*

*Telephone: (651) 266-8800  
Facsimile: (651) 266-8541*

November 4, 2003

Council President Dan Bostrom, and  
City Councilmembers  
3<sup>rd</sup> Floor City Hall  
15 West Kellogg Boulevard  
St. Paul, MN 55102

Subject: Material for the November 5<sup>th</sup> Budget Meeting

Dear Council President Bostrom and City Councilmembers:

The attached material has been prepared for your use as background, and will be used by presenters at tomorrow's meeting. Please bring this packet with you to the meeting. The agenda is:

**I. Revised Cost Estimates, Financing Plan Options, And Cash Disbursement Estimates For (Matt Smith):**

**A) Downtown Fire Station**

Current construction cost estimate: \$4.4 million (October 2003 estimate). This estimate is not final and will be refined further (with the goal of lowering it) as detailed design continues.

Cash disbursement projection (in \$1,000s):

Year	2003	2004	2005	Total
Amount	459.0	395.0	3,585.8	4,439.8

Financing plan options:

a) Port Authority 25-year bonds: The Port Authority would issue \$5.3 million in bonds at a 5.25% interest rate. The City would pay an annual lease of \$373,000. See the table on the next page.

b) City CIB funds: Library Agency bonds could be substituted for the CIB funds recommended in Mayor's Lexington Library proposal. To obtain net bonds proceeds equal to the Fire Station's cost, the Library Agency would sell \$4.5 million in bonds. With an estimated interest rate of 5.20%, annual debt service is \$323,000. This option is \$900,000 less over 25 years than the Port Authority option.

<b>Option</b>	<b>Amount Borrowed</b>	<b>Projected Interest Rate</b>	<b>Annual Debt Service</b>
1) 25-year Port Authority Lease	\$5,260.0	5.25%	\$373.0
2) City direct financing. Issue Library Bonds for net proceeds of \$4.4 million, equal to FS#8 costs	\$4,500.0	5.20%	\$323.0

Figures in \$1,000s

B) Department of Fire And Safety Services Headquarters

C) Combined Fire Stations 1 & 10: Land Acquisition, Design & Construction

The Port Authority is developing project requirements and preliminary cost estimates for a combined Fire Station 1 and 10, as well as potentially including the department administrative headquarters and office space for License, Inspections, and Environmental Protection (LIEP) and Neighborhood Housing and Property Improvement (NHPI). We are expecting preliminary cost estimates to be available in December 2003.

D) Lexington Branch Library

Current cost estimate: \$8.97 million

Cash disbursement projection (in \$1,000s):

Year	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>Total</b>
Amount	61.3	3,788.2	5,128.5	8,978.0

Financing plan options:

a) Mayor's proposed budget: please see pages 8-10 for background information on the Lexington Library and Housing Development project.

b) Use of Library Agency Bonds (see pages 5-6)

E) Dayton's Bluff Library / Metro State Library

Current city cost: \$750,000

Cash disbursement projection: Funds are currently budgeted in Neighborhood STAR and could be disbursed in 2003 or 2004, depending on when the Minnesota State Colleges and Universities request reimbursement.

F) Police Headquarters Parking Facilities

Current estimate of debt financing required to complete the project with surface parking and renovation of Car-Lo Building for Radio Shop and Speciality Vehicles is \$728,000 (October 2003). This includes \$350,000 of debt financing in the original project budget project plus updated estimates of other project revenues. These have been reduced by \$380,000 due to state disallowance of a refund of sales taxes on construction materials as well as loss of an anticipated contribution from the county for firing range access. The total cost estimate for completing the surface parking and Car-Lo improvements remains unchanged.

Cash disbursement projection: Funds are required in winter 2004 for spring construction.

Financing plan options:

a) Short-term financing lease through Bank of America (a result of an RFP process this fall), repaid in part with parking receipts -

Term: 5-year annual debt service of \$156,800 at 2.74%

Term: 7-year annual debt service of \$117,100 at 3.28 %

b) HRA or Port Revenue annual appropriation lease bonds

Term: 25-year annual debt service of \$54,000 at 5.5 % rate. There is an additional fee or cost for HRA or Port issuing debt on behalf of the City above the stated interest rate of 5.25% equal to .25% annually on the outstanding principal. A debt service reserve is required.

Parking receipts of approximately \$70,000 annually are available to help support the debt service.

G) Emergency Communication Center and 800 Megahertz Radio System

No estimates of the City's share of costs are available at this time.

**II. Consider Refined Options For Using General Obligation Bonding For The City's 2004 Capital Improvement Budget And Five Year Capital Program For (Matt Smith, Greg Blees):**

A) City's CIB Bonding Authority

B) Public Library Agency's Bonding Authority

C) Port Authority's Bonding Authority for Leased Facilities

Please see page 7 for options for discussion.

**III. Consider How Using Various General Obligation Bonding Options For The City's 2004 Capital Improvement Budget Could Affect The 2004 And 2005 Debt Service Payments (Principal And Interest ) For The (Matt Smith, Todd Hurley):**

- A) City's General Debt Service Fund # 960
- B) Public Library Agency's Debt Service Fund #966

Please see pages 5-6 for options for discussion.

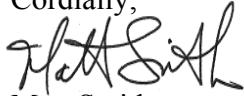
**IV. Phalen Corridor Road Construction (right-of-way acquisition, paving, bridges, sewer, lights & traffic) (Paul St. Martin)**

- A) Costs Estimates for past years, 2004 budget, and future phasing
- B) Financing Sources for past years, 2004 budget, and future phasing:
  - 1) City
  - 2) State
  - 3) Federal
  - 4) Assessments

Mr. St. Martin will distribute information at the Nov. 5<sup>th</sup> meeting.

**V. Review The Saint Paul Regional Water Utility's 2004 Budget (Bernie Bullert)**

Please see pages 11-26 for information provided by Mr. Bullert.

Cordially,  
  
Matt Smith  
Director

cc: Dennis Flaherty, Deputy Mayor  
Greg Blees, City Council Fiscal Policy Director  
Budget Analysts  
Department Directors

**BUDGET IMPACT: ALTERNATIVE LEXINGTON LIBRARY AND FIRE STATION #8 FINANCING PLAN**

Figures in \$1,000

**BASELINE****Proposed Lexington Library plan and Port Lease**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 to 2028</b>	<b>Total</b>
Fire Station #8 Port Lease (revised est.)	-	373.0	373.0	373.0	373.0	8,952.0
Internal Loan Interest (Library Agency)	-	159.0	75.0	16.0		250.0
<b>Total Budget Impact</b>	-	<b>532.0</b>	<b>448.0</b>	<b>389.0</b>	<b>373.0</b>	<b>9,202.0</b>

Assumptions: Port Lease is 25 years, but has 24 payments because the 25th payment uses a capitalized reserved established at the lease's beginning from the bond issue. The 2004 interest expense is also capitalized through the Port bond issue. Projected interest rate is 5.25%. The Internal Loan's projected interest rate is 5%.

**ALTERNATIVES****1) Library Bond Net Proceeds = \$7.48 million**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 to 2029</b>	<b>Total</b>
Annual Debt Service	180.0	540.8	540.8	540.8	540.8	13,700.8
Capitalized interest payment for 2004	(180.0)					
Total Budget Impact	-	540.8	540.8	540.8	540.8	13,700.8
<b>Net budget impact over Baseline</b>	-	<b>8.8</b>	<b>92.8</b>	<b>151.8</b>	<b>167.8</b>	<b>4,498.8</b>

Assumptions: The Library Agency issues \$7.645 million, producing net proceeds of \$7.3 million for the Library plus a \$180,000 interest payment for 2004. A subsequent year debt service reserve is established by reserving \$362,000 of Fund 925 (CAB Bond Fund) fund balance. The projected interest rate is 5.23%.

**2) Library Bond Net Proceeds = \$7.48 million****Reduce 2005 CIB by \$400,000, 2006 CIB by \$1.5 million and 2007 CIB by \$1 million**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 to 2017</b>	<b>2018 to 2029</b>	<b>Total</b>
Library Annual Debt Service	180.0	540.8	540.8	540.8	540.8	540.8	13,700.8
Capitalized interest payment for 2004	(180.0)						
Reduction in CIB Debt Service*		(20.0)	(126.2)	(293.2)	(371.2)		(3,857.0)
Total Budget Impact	-	520.8	414.6	247.6	169.6	540.8	9,843.8
<b>Net budget impact over (under) Baseline</b>	-	<b>(11.2)</b>	<b>(33.4)</b>	<b>(141.4)</b>	<b>(203.4)</b>	<b>167.8</b>	<b>641.8</b>

\*Reduce 2005 CIB issue by \$400,000, 2006 CIB issue by \$1.5 million and 2007 CIB issue by \$1 million. Savings realized from 2005-2017. Projected interest rate is 5%.

Assumptions: The Library Agency issues \$7.645 million, producing net proceeds of \$7.3 million for the Library plus a \$180,000 interest payment for 2004. A subsequent year debt service reserve is established by reserving \$362,000 of Fund 925 (CIB Bond Fund) fund balance. The projected interest rate is 5.23%.

**3) Library Bond Net Proceeds = \$8.05 million (\$7.3 million for Lexington Library and \$750,000 for Metro State)  
Reduce 2005 CIB by \$400,000, 2006 CIB by \$1.5 million and 2007 CIB by \$1 millior**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 to 2017</b>	<b>2018 to 2029</b>	<b>Total</b>
Library Annual Debt Service	195.0	582.6	582.6	582.6	582.6	582.6	14,759.3
Establish Subsequent Year Debt Service	391.0						
STAR Reallocation	(750.0)						
Reduction in CIB Debt Service*		(20.0)	(126.2)	(293.2)	(371.2)		(3,857.0)
Total Budget Impact	(164.0)	562.6	456.4	289.4	211.4	582.6	10,902.3
<b>Net budget impact over (under) Baseline</b>	<b>(164.0)</b>	<b>30.6</b>	<b>8.4</b>	<b>(99.6)</b>	<b>(161.6)</b>	<b>209.6</b>	<b>1,700.3</b>

\*Reduce 2005 CIB issue by \$400,000, 2006 CIB issue by \$1.5 million and 2007 CIB issue by \$1 million. Savings realized from 2005-2017. Projected interest rate is 5%.

Assumptions: The Library Agency issues \$8.225 million, producing net proceeds of \$7.3 million for the Library plus \$750,000 for Metro State as a substitute for STAR funding. The \$750,000 of STAR allocated for Metro State is used for the 2004 interest payment and subsequent year debt service reserve. The projected interest rate is 5.23%.

**4) Library Bond Net Proceeds = \$10.15 million (\$7.3 million for Lexington Library, \$2.1 million for Central Library, and \$750,000 for Metro State)  
Reduce 2004 CIB by \$2.1 million, 2005 CIB by \$400,000, 2006 CIB by \$1.5 million and 2007 CIB by \$1 millior**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 to 2017</b>	<b>2018 to 2029</b>	<b>Total</b>
Library Annual Debt Service	246.0	732.9	732.9	732.9	732.9	732.9	18,567.8
Establish Subsequent Year Debt Service	486.3						
STAR Reallocation	(750.0)						
Reduction in CIB Debt Service*	(105.0)	(288.8)	(395.0)	(562.0)	(640.0)		(6,650.0)
Total Budget Impact	(122.7)	444.1	337.9	170.9	92.9	732.9	11,917.8
<b>Net budget impact over (under) Baseline</b>	<b>(122.7)</b>	<b>(87.9)</b>	<b>(110.1)</b>	<b>(218.1)</b>	<b>(280.1)</b>	<b>359.9</b>	<b>2,715.8</b>

\*Reduce 2004 CIB issue by \$2.1 million, 2005 CIB issue by \$400,000, 2006 CIB issue by \$1.5 million and 2007 CIB issue by \$1 million. Savings realized from 2005-2017. Projected interest rate is 5%.

Assumptions: The Library Agency issues \$10.355 million, producing net proceeds of \$7.3 million for the Library, \$2.1 million for the Central Library, and \$750,000 for Metro State as a substitute for STAR funding. The \$750,000 of STAR allocated for Metro State is used for the 2004 interest payment and subsequent year debt service reserve. The projected interest rate is 5.23%.

## Capital Projects Funding Alternative Example; Potential change to CIB and Library Agency Project Financing

This alternative replaces City CIB funding for the Lexington Library with Library Agency Bonds, and funds Fire Station #8 with City CIB funds. It corresponds to Alternative 2 presented on page 5.

### CIB Budget

Projects (uses)	Year (\$1,000)			Total
	Prior	2004	2005	
Fire Station # 8	459.0	395.0	3,585.8	4,439.8
Residential Street Vitality Program		7,272.0	7,565.0	14,837.0
Central Library Project		2,097		2,097.0
Jimmy Lee Recreation Center		250.0	1,000.0	1,250.0
Highland Park Picnic Area		1,574.0		1,574.0
Highland Pool Bath House			164.0	164.0
Sandy Lake Soccer Facility		500.0	500.0	1,000.0
Annual Programs		2,931.0	3,081.0	6,012.0
All other projects		4,376.0	2,690.0	7,066.0
<b>Total projects (uses):</b>	<b>459.0</b>	<b>19,395.0</b>	<b>18,585.8</b>	<b>38,439.8</b>
<b>Resources (sources)</b>				
CIB bonds		19,000.0	18,585.8	37,585.8
CIB-2003 RSVP "frozen balance" for FS #8	459.0	395.0		854.0
<b>Total resources available:</b>	<b>459.0</b>	<b>19,395.0</b>	<b>18,585.8</b>	<b>38,439.8</b>
<b>Surplus: resources minus projects</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Lexington Library Budget

Projects (uses)	Year (\$1,000)			Total
	Prior	2004	2005	
Lexington Library	61.3	3,788.2	5,128.5	8,978.0
<b>Resources (sources)</b>				
CDBG-Rice Street balance (already reallocated)	61.3	238.7		300.0
Central Library Construction Account interest earnings		100.0		100.0
CDBG-remaining Rice St Library balance		304.0		304.0
Griggs Recreation Center cancellation		672.0		672.0
Current site sale			300.0	300.0
Library Bonds (\$7.3 M net issue in 2004)		2,473.5	4,828.5	7,302.0
<b>Total resources available:</b>	<b>61.3</b>	<b>3,788.2</b>	<b>5,128.5</b>	<b>8,978.0</b>
<b>Surplus: resources minus projects</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>



**CITY OF SAINT PAUL**  
Randy C. Kelly, Mayor

25 West Fourth Street  
Saint Paul, MN 55102

Telephone: 651-266-6565  
Facsimile: 651-228-3261

To: Saint Paul City Council  
From: Martha Fuller  
Date: 29 October 2003  
Re: University/Dale Mixed Use Library Project Financing

### **Summary**

The following summarizes the concept for a new mixed-use library at University and Dale, replacing the Lexington Branch library. The proposed financing is provided.

### **Development Concept**

The New Lexington Outreach Library at Dale street is proposed to be a landmark mixed-use facility. The core concept includes:

Underground: Parking for Library (accessed from University Avenue)  
Ground Floor: Library (31,000 sq. ft.) along Dale/University. Townhomes along Aurora.  
Second Floor: Parking for Housing (accessed from Aurora)  
Third-Fifth Floors: Housing

The developer proposes to build 111 one- and two-bedroom rental units. 80 % of the units will be affordable at 60% or less of the median regional income (MRI), which will include the City affordability requirements of 10% at 30% MRI 10% at 60%. MRI. The balance are at market rate.

The HRA owned land is 47,360 sq. ft. No site plan changes have occurred since the October 15 Library Board presentation.

The total development cost for the project is \$22.3 million.

### **Library Financing**

The proposed financing of the library has not changed since the Library Board and City Council Budget briefings on October 15. The Mayor's 2004 proposed Capital Improvement Budget includes a new Lexington Outreach Branch Library to be constructed at a total cost of \$8.978 million. Funding as recommended in the CIB budget book is summarized in the following table:



## Library Sources Table

<i>Funding year</i>	<i>Project/source</i>	<i>(\$1,000)</i>
2003	Rice Street Library CDBG savings (funds already in hand for design)	300
2004	Re-allocate 2003 CIB funds from the 2003 RSVP program	854
2004	Central Library Construction Account interest earnings	100
2004	Re-allocate Griggs Recreation Center project CDBG funds	672
2004	Rice Street Library CDBG savings (in addition to savings listed above)	304
2005	Capital Improvement Bonds	4,000
2006	Sale of current library site	300
2006	Capital Improvement Bonds	1,500
2007	Capital Improvement Bonds	948
		<b>Total 8,978</b>

For more detailed information including the uses of funds and a schedule of the costs, please see the memo you received from Matt Smith dated September 26, 2003 “Material for the October 1<sup>st</sup> Budget Meeting.”

### **Housing Financing**

The following is a summary of Preliminary Sources and Uses for the rental housing component of this development.

	<u>Sources</u>	<u>Uses</u>	
Housing: 111 rental units			
Conduit Revenue Bonds	8,260,000	Land	244,750
Low Income Housing Tax Credits (4%)	2,855,854	Construction	10,408,769
Gap	(2,176,801)	Soft	1,739,136
		Developer Fee	900,000
<b>TOTAL</b>	<b>13,292,655</b>		<b>13,292,655</b>

1. Gap may be reduced as budget is refined; potential gap sources are HRA (HOME and CDBG), MHFA and FHF.

2. HRA financing for first mortgage would be from City allocation of 2004 revenue bonds (\$6,840,000) and TIF (\$1,420,000); funds from CDBG and HOME would be from years 2003 and 2004.
3. Low Income Housing Tax Credits would be 4% credits available for use with the tax exempt revenue bonds and would not come from the annual allocation to available to the City.
4. An application for MHFA and FHF participation would be submitted in the MHFA RFP solicitation in early 2004.
5. If the land is sold to the development at fair market value, the costs are explained as follows. Note: the Mayor's proposed funding for the Library assumes no land cost. HRA land on University and Aurora was appraised in September 2002 at \$423,000; assuming a 5% increase from last year, the new value is approximately \$445,000. The two projects are approximately the same footprint on the land, but the housing use is slightly larger. The land cost is split 45% Library (\$200,250) and 55% Housing (\$244,750).



# BOARD OF WATER COMMISSIONERS

*President: James Reiter ♦ Vice President: Stephen Haselmann*

*Commissioners: Matt Anfang ♦ Jerry Blakey ♦ Kenneth Collins ♦ Pat Harris ♦ John Zanmiller*

July 8, 2003

Board of Water Commissioners

Dear Commissioners:

Re: 2004 Budget

## OVERVIEW:

This budget has an increase in total revenue projected at \$1,112,000. The following is a summary of the highlights:

- The increase in revenue comes, first, from a 4 cents/100 cu. ft. rate increase, which will generate about \$820,000 in new revenue. However, because of contract changes with wholesale customers and suburban communities, the proposed rate increase will actually generate a total of about \$1,055,000 in additional revenue.
- Second, increases in various miscellaneous revenues are projected to bring in an additional \$170,000. This amount includes a few fee increases in recommended ordinance changes, which will be presented to the Board at a later time.
- Homeowner lead replacement loans are expected to increase by \$50,000, contributions received are expected to increase by \$10,000 while investment revenues are expected to decrease \$160,000. We will be adding \$13,000 to retained earnings to present a balanced budget.

This budget also reflects an increase in spending of \$1,112,000. This includes a decrease in operating expenses of \$317,000, an increase of \$50,000 for lead replacement loans, an increase in revenue funded capital improvements of \$1,281,000 and an increase in debt service of \$98,000.

We have received \$2,414,000 in one-time additional cash in 2002 and in 2003. \$1,200,000 is related to our agreement with Public Works on sewer billings, and \$655,000 is related to the payment from Public Works of some well accounts and \$559,000 is related to bond reserve and issuance costs. We are proposing to use \$2,385,000 to fund one-time capital needs. \$800,000 is a temporary loan until 2005; the actual use of cash will be \$1,585,000.

## SAINT PAUL REGIONAL WATER SERVICES

Bernie R. Bullert, General Manager

8 4<sup>th</sup> St E Saint Paul MN 55101-1007 ♦ TTY: 651-266-6299

*Saint Paul Regional Water Services provides quality water services to the following cities:*

Arden Hills•Falcon Heights•Lauderdale•Little Canada•Maplewood•Mendota•Mendota Heights•Roseville•Saint Paul•West St. Paul



## REVENUE:

Sale of Water:

There is no change in the projected volume of water to be sold in 2004. The proposed 4 cent/100 cu. ft. water rate increase will result in an increase of \$820,000 for a total of \$31,907,400 from the sale of water. The net effect of the increase from water rates is extended by a drop of \$108,000 in revenue from the suburban contract changes and an increase in revenue of \$343,000 in wholesale contract changes. The total effect of all the changes is an increase in revenue of \$1,055,000 from the sale of water.

4 cent increase	\$820,000
Wholesale contract changes	\$343,000
Suburban contract changes	<u>(\$108,000)</u>
Total Change	<u>\$1,055,000</u>

## Changes in Suburban Contracts:

	<u>2003 rate</u>	<u>2004 rate</u>
West St. Paul	107.25% <sup>1</sup>	104.25% <sup>1</sup>
Lauderdale (no change)	120% <sup>1</sup>	120% <sup>1</sup>

## Changes in Wholesale Contracts:

	<u>Average</u> <u>2003 rate</u>	<u>2004 rate</u>
Roseville	67.8%	74.5% <sup>1</sup>

Rates:

This budget has a rate increase of 4 cents/100 cu. ft. as follows:<sup>2</sup>

	<u>100 cubic feet</u>		<u>Percent Increase</u>	
	<u>2003</u>	<u>2004</u>		
Winter rate	\$1.47	\$1.51	2.7%	
Summer rate	1.57	1.61	2.5%	Avg.=2.63%
2 <sup>nd</sup> step	1.37	1.41	2.9%	

<sup>1</sup> indicates percentage of the City of Saint Paul rate

<sup>2</sup> for Cities of Saint Paul, Falcon Heights, and Maplewood

If we assume an average consumption of 88 units (65,824 gallons), the impact on the average family is an increase of \$3.52 per year.

## REVENUE (continued):

Other Revenue:

This budget does show an increase in miscellaneous operating revenue of \$238,000, as well as a decrease in non-operating revenue of \$68,000. The most notable changes here are an increase in backflow prevention fees of \$65,000 and billable repairs of \$58,000, and a decrease of \$78,000 in PERA pension aid from the State of Minnesota. We are also proposing some fee increases in an ordinance update later in the year for turn on charges and the scheduled charge for 1" service connections. Contributions are expected to increase \$10,000, and investment revenues are anticipated to decrease \$160,000. This budget also reflects an increase of \$50,000 for lead service replacement loans.

## EXCESS OPERATING CASH:

The actual excess operating cash at the end of 2002 was \$4,875,000. The projected excess operating cash at the end of 2003 currently is \$7,269,000. The increase is largely due to land sales of which \$3,000,000 was designated in the 2003 budget for the campus. With this budget, the projected excess operating cash at the end of 2004 will be \$4,108,000. Restricted cash will change this year. There are two reasons: 1) We have 15 days of cash, or \$1,067,000, for operations reserved per the bond covenant, which we have not shown on the operating cash balance before this year; rather, we have shown it as restricted reserves. 2) The utility is considering not participating in the City of Saint Paul's risk retention fund program. This results in a savings of \$65,000 to our insurance costs, but requires us to increase our risk insurance reserves by \$500,000 to a level of \$2,000,000.

Cash reserves are higher than we ordinarily recommend. We are recommending the above level for three primary reasons. One, we will need funds to cover the 2005 bond reserve and issuance costs. Second, the ten year plan requires funding for the customer information system, if approved by the Board. Third, the land sales presented are tentative. A detail of the cash changes is outlined in the attached appendix.

There are five surplus property sales pending, as follows:

· Rice Creek property North of 35W	Approximate value	2003	\$190,000
· Sales of parkland to Anoka partial	Purchase Agreement	2003	\$75,000
· Sales of parkland to Anoka partial	Purchase Agreement	2004	\$680,000
· Centerville Residence	Approximate value	2004	\$300,000
· Parcel 5, Anoka Parkland	Approximate value	2004	\$950,000
· Shoreline property	Approximate value	2004	<u>\$10,000</u>
			<u>\$2,205,000</u>

## EXPENSES:

Operations:

The net change in the operation portion of the budget is a decrease of \$317,000. Positions decreased by 8.1 FTEs, and overtime by \$108,000, while fringes increased 2%; the net change is a decrease of \$415,000. We anticipate an increase in the cost of services of \$246,000, primarily in the areas of moving expenses, DNR fees, and insurance premiums, while supplies and other miscellaneous expenses are expected to decrease \$148,000 due to reductions in electricity, motor fuels, and miscellaneous changes in other areas. Insurance costs will be reduced \$65,000 if the Board decides to make the decision not to participate in the City of Saint Paul's risk retention fund program.

· Salaries and Fringes	(\$415,000)
· Services	\$246,000
· Supplies and Misc.	<u>(\$148,000)</u>
	<u>(\$317,000)</u>

## PERSONNEL:

This budget has a decrease of 8.1 FTE's. This includes a decrease of 1 FTE each in the Business and Administration Divisions. There is a decrease of .7 FTE in the Production Division, 1.7 FTE's in the Engineering Division, and 3.7 FTE's in the Distribution Division. There are a total of 247.9 FTE's presented in this budget.

## CAPITAL:

Revenue Funded Capital Improvements:

This budget shows an increase of \$1,281,000 in revenue funded capital improvements. There were some minor increases in most categories. The main replacement program was increased by \$750,000, which includes continued efforts for main rehabilitation, and water meters increased \$125,000. The lead service replacement program level increased by \$100,000. We are now in the reduced monitoring phase of lead testing, and no longer need to strive for 1,000 lead replacements per year. As replacement costs outside the paving areas costs are higher, staff proposes we continue to replace lead services in the City's paving areas, where we have leaks, and where the homeowners take the initiative to replace their portion. The remainder of the changes are related to equipment and to the move to the campus.

Granular Activated Carbon (GAC) Filter Project Design (Taste & Odor):

This budget reflects an increase in spending for the design in conjunction with the GAC project. We propose the use of \$800,000 cash for the GAC project. This is an advance of cash from the 2005 bond issue so that we can move forward with the GAC project.

## CAPITAL (continued):

Plant and Campus Improvements:

This budget reflects an increase in spending for improvements at the McCarron's campus. We propose the use of \$700,000 cash for plant security and \$210,000 for campus furniture.

I/T Needs Assessment Capital Investment:

This budget reflects an increase in spending for information technology as presented in the Information Technology (IT) roadmap. This budget presents the use of \$300,000 cash for Geographical Information System (GIS) development and \$375,000 to develop a request for proposal for the Customer Information System (CIS).

## MISCELLANEOUS:

There are no major professional service agreements other than those presented for the capital program. We are continuing security with Ramsey County at the present level.

## CLOSING STATEMENT:

With this budget we are down 89 FTE's from 1989, or more than 25% of our workforce. As we do more with less, we see the stress on our employees' faces. It is harder to get people to work overtime in emergencies, and turnover has increased; that means training more people. I greatly appreciate how our employees have stepped up to carry the load.

With this budget, I strongly believe we will complete 2004 having achieved our competitiveness goal and we will have reduced operating costs by over \$8 million in real dollars per year since staff reductions started in 1990. We should be near our FTE goal with some reduction still possible with more automation and when the campus is operating. With this rate increase for 2004 we will have brought the capital program to the level it should be at for the future. We have completed our operational and capital goal one year faster than originally projected and for 2005 we should be back to near normal budgeting procedure for the 2005 budget.

I strongly encourage the Board to adopt this budget as it reflects a very competitive operating budget, a strong capital program in the range needed for protecting the future of the system and the automation needed to continue improvements for cost control and customer service.

Sincerely,



Bernie R. Bullert  
General Manager

## APPENDIX

## EXCESS OPERATING CASH:

The analysis of excess operating cash for the years 2001 through 2004 is as follows:

Beginning Balance 12/31/2001	\$2,384,000
Operating Revenue Below Budget	(\$2,039,000)
Operating Expenses Below Budget	\$1,715,000
Investment Interest Revenue Above Budget	\$182,000
Non-Operating Revenue Above Budget	\$168,000
Non-Operating Expenses Below Budget	\$2,000
Change in Bond Reserve	\$689,000
Net Change in Accts. Rec./Accts. Pay., etc.	\$1,276,000
Change in Minimum Operating Cash Required	\$1,763,000
Homeowner Lead Replacement Program	\$54,000
Other Changes	\$7,000
Payment for Well Accounts PW	\$655,000
Receipt of FEMA Funds	\$77,000
Architect Fees	(\$308,000)
IT Investment	(\$1,750,000)
Net Change	<u>\$2,491,000</u>
Ending Balance 12/31/2002	<u>\$4,875,000</u>



## EXCESS OPERATING CASH (continued):

The 2003 expected excess operating cash changes are as follows:

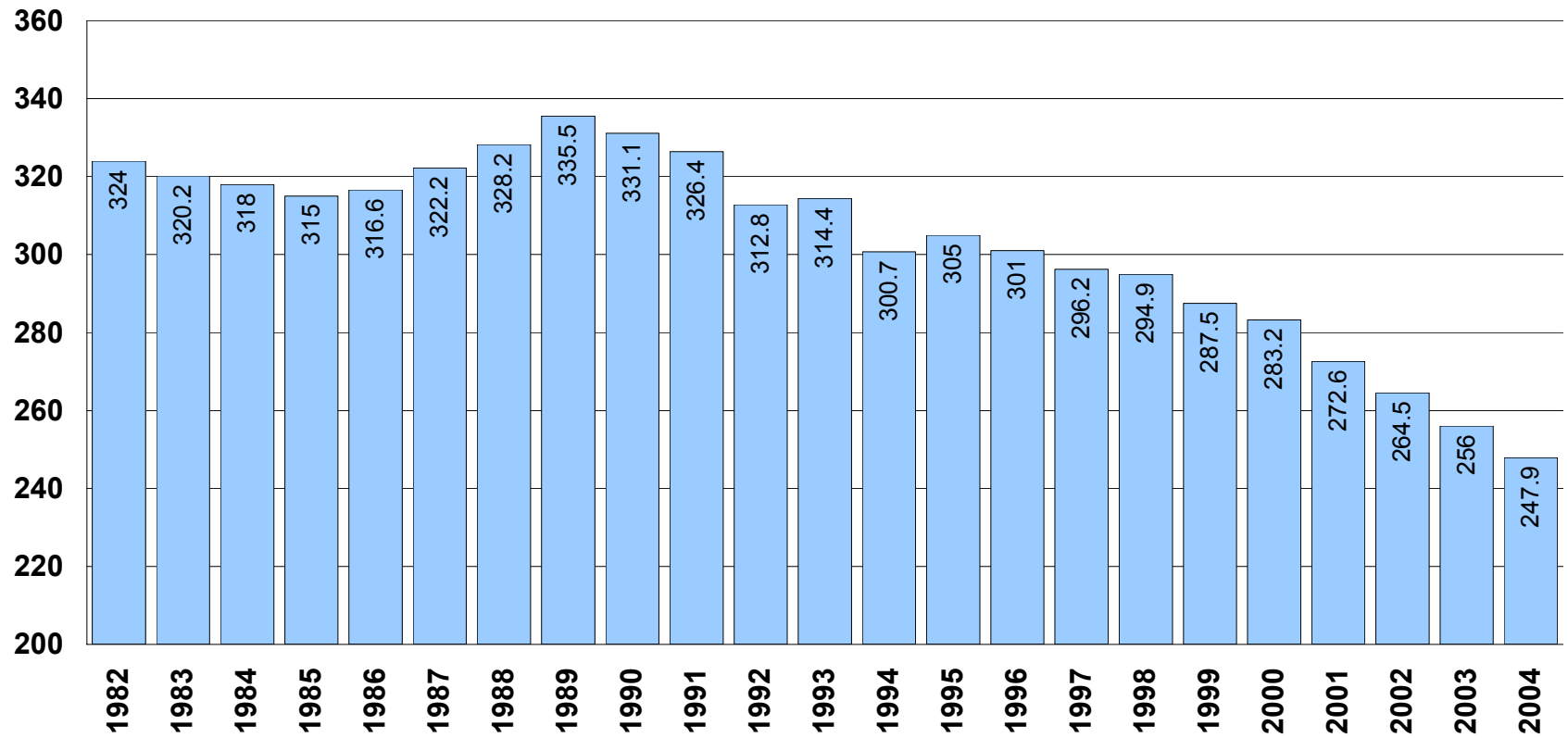
Beginning Balance 12/31/2002		\$4,875,000
Use of Excess Cash for Rate Control	(\$1,000)	
Change in Bond Reserve	(\$1,167,000)	
Actual Change \$694,000	\$474,000	
Issuance Costs/Discount	(\$246,000)	
Actual Costs/Discount	\$86,000	
Change in Minimum Cash Required	(\$258,000)	
Repayment of Architect Fees	\$308,000	
Homeowner Lead Replacement	(\$100,000)	
GIS	(\$350,000)	
Change in Contract with PW (no advance)	\$1,200,000	
Cash for Operations Reserve	\$1,067,000	
Property and Vehicle Insurance Deductible	(\$500,000)	
Net Change		<u>\$513,000</u>
Sale of Hamline Property 2003	\$1,433,000	
Sale of Vadnais Property 2003	\$183,000	
Projected Sale Rice Creek (P.3)	\$190,000	
Projected Sale Partial Anoka Parkland (P.3)	\$75,000	
Cash from Property Sales 2003		<u>\$1,881,000</u>
Ending Balance 12/31/2003		<u>\$7,269,000</u>

## EXCESS OPERATING CASH (continued):

The 2004 expected excess operating cash changes are as follows:

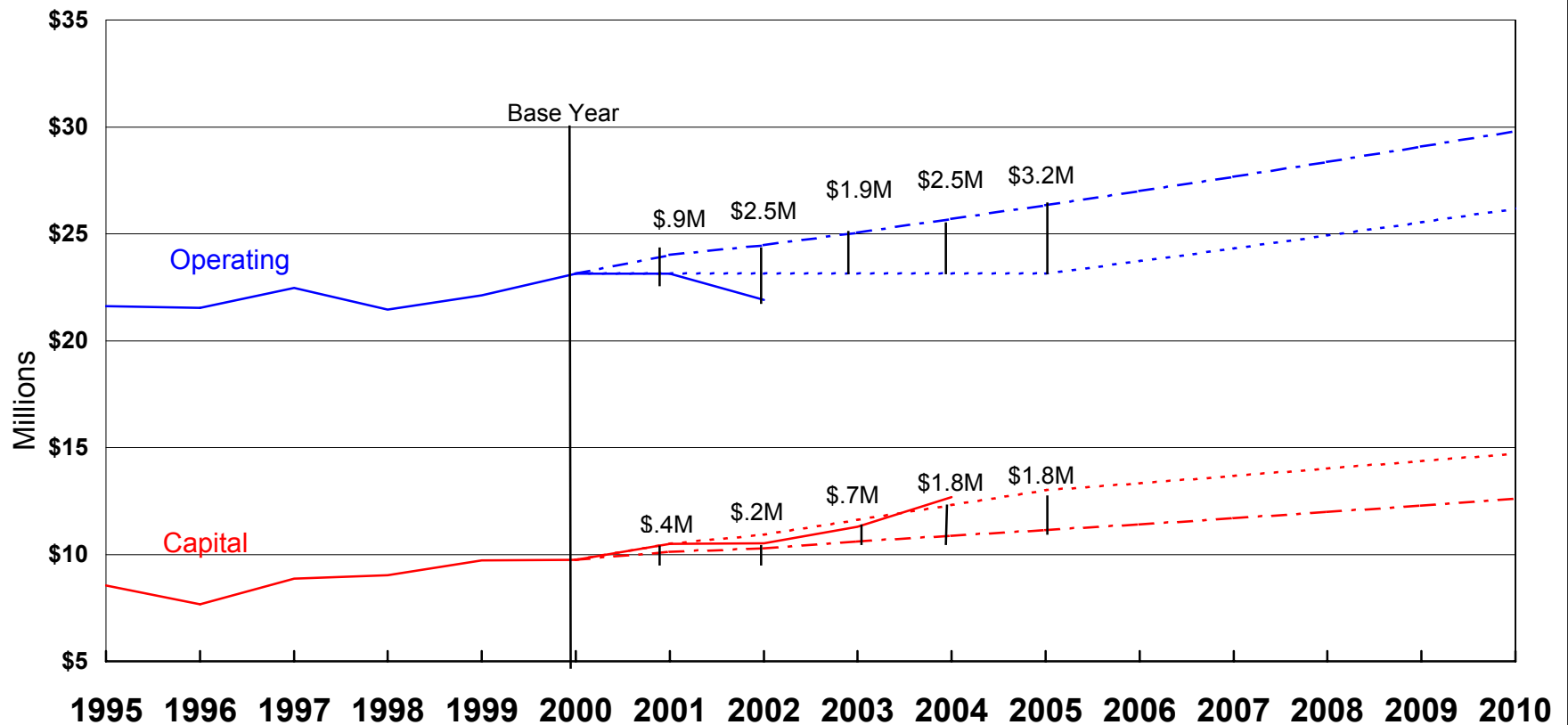
Beginning Balance 12/31/2003	\$7,269,000
Change in Bond Reserve	\$106,000
Change in Minimum Cash Required	(\$152,000)
Homeowner Lead Replacement Program	(\$50,000)
Excess Financing over Expenditures	\$13,000
Cash Funded Capital Projects	(\$1,585,000)
Advance Bond Funding	(\$800,000)
Cash Received for Sale of Vadnais Property 2003	\$367,000
Net Change	<u>(\$2,101,000)</u>
Subtotal	\$5,168,000
Projected Sales of Land in 2004 (see P.3)	\$1,940,000
Campus Project	<u>(\$3,000,000)</u>
Ending Balance 12/31/2004	<u>\$4,108,000</u>

## Saint Paul Regional Water Services Employees\*



\*budgeted full time equivalents

# Saint Paul Regional Water Services Operational and Capital Spending 1995-2010



— BUDGETED CAPITAL & DEBT  
 - - - PROPOSED CAPITAL & DEBT  
 - - - PROJECTED CAPITAL & DEBT W/INFLATION

— ACTUAL OPERATING COSTS  
 - - - PROPOSED OPERATING COSTS  
 - - - PROJECTED OPERATING COSTS W/INFLATION

Mpls/St Paul inflation rate of 2002 is 1.8%  
 Mpls/St Paul inflation rate for 2003-2010 is 2.5%  
 \*Operation savings are net ongoing security costs of \$100,000

**SAINT PAUL REGIONAL WATER SERVICES**  
**10 YEAR CAPITAL PLAN**

	2002 Budget	2003 Budget	2004 Budget	2005 Plan	2006 Plan	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan	2012 Plan	Total
<b>PROJECTS - Revenue Funded</b> All numbers in 1000's												
<b>BUSINESS</b>	\$1,750 (f)*		\$375 (g)* \$210 (q)	\$2,000 (g)*								
<b>Total - Business</b>	<b>\$1,750</b>	<b>\$0</b>	<b>\$585</b>	<b>\$2,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,335</b>
<b>DISTRIBUTION</b>	\$1,633 (n,o)	\$689 (n)**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total - Distribution</b>	<b>\$1,633</b>	<b>\$689</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,322</b>
<b>ENGINEERING</b>	\$800 (e)*	\$350 (m)*		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Total - Engineering</b>	<b>\$800</b>	<b>\$350</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,150</b>
<b>PRODUCTION</b>			\$800 (t) \$700 (u)									
<b>Total - Production</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,500</b>
<b>DISTRIBUTION</b>												
Mains (p)	\$2,150	\$3,181 **	\$3,000 (x)*	\$4,175 (w)	\$4,000	\$4,220	\$4,300	\$3,810	\$4,125	\$4,150	\$4,175	
Water Service Connections	\$1,650	\$1,935 **	\$1,800 **	\$1,800	\$1,800	\$1,850	\$1,900	\$2,000	\$2,050	\$2,100	\$2,150	
Hydrants	\$535	\$550	\$550	\$550	\$550	\$575	\$600	\$600	\$625	\$625	\$650	
Water Meters	\$150	\$25 **	\$100	\$100	\$100	\$100	\$100	\$825 (l)	\$875	\$900	\$950	
Storage												
<b>Total - Distribution</b>	<b>\$4,485</b>	<b>\$5,691</b>	<b>\$5,450</b>	<b>\$6,625</b> \$7,950 \$7,650	<b>\$6,450</b>	<b>\$6,745</b>	<b>\$6,900</b>	<b>\$7,235</b>	<b>\$7,675</b>	<b>\$7,775</b>	<b>\$7,925</b>	<b>\$72,956</b>
<b>PRODUCTION</b>												
Plant			\$380 (s) (v)									
Supply	\$380 (c,d)	\$0	\$541 (h)	\$600 (h)	\$600 (h)	\$600 (h)	\$600 (h)	\$350				
Treatment/Solids	\$300 (b,j)	\$290 (l)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Pumping	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Tanks & Reservoirs	\$605	\$650	\$650	\$725	\$725	\$750	\$750	\$775	\$775	\$800	\$800	
<b>Total Production</b>	<b>\$1,285</b>	<b>\$940</b>	<b>\$1,571</b>	<b>\$1,325</b>	<b>\$1,325</b>	<b>\$1,350</b>	<b>\$1,350</b>	<b>\$1,125</b>	<b>\$775</b>	<b>\$800</b>	<b>\$800</b>	<b>\$12,646</b>
<b>Equipment/Small Cap. Improvements</b>												
Business	\$250	\$563	\$602	\$350	\$365	\$300	\$325	\$375	\$420	\$425	\$430	
Distribution	\$467	\$572	\$672	\$600	\$625	\$540	\$550	\$580	\$600	\$620	\$640	
Engineering	\$27	\$8	\$65	\$50	\$60	\$70	\$75	\$75	\$80	\$85	\$85	
Production	\$257	\$382	\$402	\$250	\$275	\$295	\$300	\$310	\$350	\$395	\$420	
<b>Total Equipment/Small Cap. Improvements</b>	<b>\$1,002</b>	<b>\$1,525</b>	<b>\$1,741</b>	<b>\$1,250</b>	<b>\$1,325</b>	<b>\$1,205</b>	<b>\$1,250</b>	<b>\$1,340</b>	<b>\$1,450</b>	<b>\$1,525</b>	<b>\$1,575</b>	<b>\$15,188</b>
<b>Total Revenue Funded Projects</b>	<b>\$6,772</b>	<b>\$8,156</b>	<b>\$8,762</b>	<b>\$9,200</b>	<b>\$9,100</b>	<b>\$9,300</b>	<b>\$9,500</b>	<b>\$9,700</b>	<b>\$9,900</b>	<b>\$10,100</b>	<b>\$10,300</b>	<b>\$100,789</b>

a - begin residential radio read

b - Pipe storage (field)

c - Fridley/Cent Conduit Replace

d - Control valve on Sucker Creek

e - Architectural services for campus plan

\* - to be funded from retained earnings or advance on bond issue-amount is not shown in total for year

\*\* - Amended in amendment #1

f - CMMS

g - Customer information system

h - wells

i - begin residential radio read

j - recarb process imp.

k - \$300 for services in 2004 and 2005

l - \$150K new furniture, \$140K atomic absorption spectrometer

m - \$350k for GIS

n-State of MN project

o-development projects

p-10-15% may be used for cleaning & lining projects

q - Campus Furniture

r - Meter test benches

s - Fire sprinkler system

t - GAC design

u - Campus security

v - Plant 5th floor remodel

w- This meets the 140 year replacement schedule assuming

that the lead replacement funds would be committed to

mains once the lead replacement program is completed.

x- \$90.5K from amendment 1 to mayor's proposed

**SAINT PAUL REGIONAL WATER SERVICES**  
**10 YEAR CAPITAL PLAN**

<b>PROJECTS - Bonds &amp; Other Funding Sources</b>	<b>2002 Budget</b>	<b>2003 Budget</b>	<b>2004 Budget</b>	<b>2005 Plan</b>	<b>2006 Plan</b>	<b>2007 Plan</b>	<b>2008 Plan</b>	<b>2009 Plan</b>	<b>2010 Plan</b>	<b>2011 Plan</b>	<b>2012 Plan</b>	
All numbers in 1000's												
Plant Architectural	\$1,300											
Conduit Repair/ Replacement	\$750	\$1,050										
Consolidation*		\$2,500 (1)	\$4,000									
Architectural Services		\$800										
Generator - Plant, West Side			\$2,400									
Recarbonation Basin (\$2.64M)												
Dale Reservoir												
Filter Improvements - Phase II GAC				\$4,700	\$4,500							
Radio Read Technology								\$3,000	\$3,000	\$3,000		
Rail Bridge		\$350										
<b>Total Bond &amp; Other Funding Sources</b>	<b>\$2,050</b>	<b>\$4,700</b>	<b>\$6,400</b>	<b>\$4,700</b>	<b>\$4,500</b>			<b>\$3,000</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$9,500</b>	
2000 Bond or SRF	\$2,050											\$2,050
2003 Bond or SRF		\$4,700	\$6,400									\$11,100
2005 Bond or SRF				\$4,700	\$4,500							\$9,200
2009 Bond or SRF								\$3,000	\$3,000	\$3,000		\$9,000
2012 Bond or SRF											\$9,500	\$9,500
Taste & Odor Improvements												
Disinfection - UV												
<b>Total Potential Projects</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

(1) Assumes additional funding of \$3.0M will be available from land sales as follows: \$1.45M Yard  
\$ .55M Vadnais Heights  
\$ .80M Anoka County  
\$ .20M Metro Greenways













